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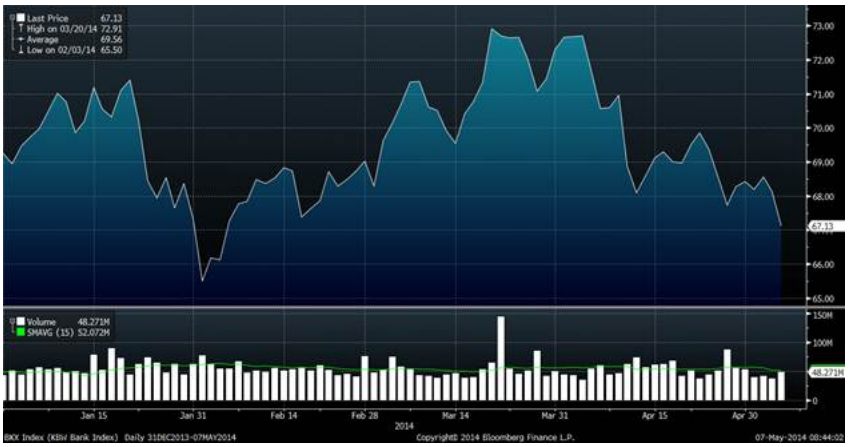
| **CC:** | |
| **Date:** | Wed, 5/7/2014 5:23:30 PM |
| **Subject:** | Daily Update |

- Risk is better this morning after a down day yesterday and a very poor nite in Asia. Bank earnings continue to come in weak (HSBC profit falls 20% / GLE profit falls 13%). Yellen speaks today. JPM observation this morning: Sentiment is very gloomy at the moment – part of this is returns (no one has a big cushion of YTD gains like they did in '13), part of it is signaling (why are TSY yields doing what they're doing?), and part of it is fundamentals... #Pain - Twitter got walloped by 18% yesterday in a good case of an imbalanced supply/demand technical. #Kale – Whole Foods gets eaten by the competition. Stock -17%. Reminder: A lot of stuff is priced for perfection these days (including loans)…. Eminis: +5 10yr: 2.61%

- Chart of the day (BKX – Bank ETF – 7% QTD): Trading revenue + declining rates = pain chamber




- Credit: Loans unch'd. Longer duration high yield performing (in line with treasuries)

- Earnings: 80% of the S&P has reported. Revenue surprises: -0.04% / Earnings surprises +6.17%

- Other:

  - Very interesting - http://www.ft.com/intl/cms/s/0/0207183c-ceda-11e3-8e62-00144feabdc0.html?ftcamp=published_links%2Frss%2Fcomment%2Ffeed%2F%2Fproduct&siteedition=intl#axzz3124ZjATF
  - There's still no reason to be afraid of the inflation monster http://www.washingtonpost.com/blogs/wonkblog/wp/2014/05/06/theres-still-no-reason-to-be-afraid-of-the-inflation-monster/
  - More volatility coming? http://www.nytimes.com/2014/05/07/upshot/whispers-from-fed-could-lead-to-wild-swings-internal-critic-says.html?rref=upshot
  - SEC sees illegal or bad fees in 50% of buyout firms examined http://www.pionline.com/article/20140506/ONLINE/140509896/sec-sees-illegal-or-bad-fees-in-50-of-buyout-firms-examinedHP printer advertisement? http://www.bloomberg.com/news/2014-05-07/mom-with-hp-printer-shows-the-digital-ease-of-bogus-cash.html

- HY: 106 7/8 (+1/8)
- IG: 65 ¼ (-1/2)
- CSLLI: 0.18% mtd / 1.72% ytd

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